# Member Information for Proposed Business Expansion

### SELF-CLEARING BROKER/DEALER

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| Member Firm: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Contact Person: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Name of Person  Completing This Form: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

1. The firm intends to clear transactions in the following securities (check all that apply):

Nasdaq Equities

OTC Bulletin Board

Other non-Nasdaq OTC

Listed Third Market

Municipal Securities

Options

Other (Attach description)

1. Are there any securities that the firm will not self-clear but will conduct a business in?

Yes: No:

If Yes, provide a description of the additional clearing arrangements that have been made for these products.

1. The firm’s intended customer base will be:

Retail

Institutional

Broker/Dealer

Other (Attach description)

1. Will the firm maintain discretionary accounts? Yes: No:
2. Will the firm maintain margin accounts? Yes: No:

**Information and Documentation to be Submitted**

1. Provide evidence of membership in a clearing corporation (such as the National Securities Clearing Corporation—NSCC) and depository (such as the Depository Trust Corporation—DTC).
2. State whether and how the firm will execute trades for its own account, for other broker/dealers, and whether there are or will be any payment-for-order -flow arrangements.
3. Provide proof of registration with the Securities Information Center as a “Direct Inquirer” for purposes of the Lost and Stolen Securities Program.
4. Provide an organization chart indicating names, CRD numbers, and intended responsibilities of key personnel to be assigned to the proposed operations.
5. Provide a draft of notice to customers, documentation of expanded fidelity bond coverage, if needed, and an estimate of monthly customer debit and credit balances.

**Systems, Procedures and Recordkeeping Methods**

1. Identify each system, procedure, and recordkeeping method employed to clear and settle transactions (also note what provisions have been made if the firm will be clearing and settling trades or have any correspondent relationship for other broker/dealers), addressing specifically how (if applicable):
2. Trade data is to be received and processed;
3. Fails are to be identified and processed;
4. Securities positions are to be updated and maintained;
5. Margin accounts will be handled and financed;
6. Customer credits and debits will be handled;
7. Confirmations will be generated and disbursed;
8. Transfer items will be handled;
9. Interest/dividend research is to be handled;
10. Bank accounts will be used for payments to and collections from customers;
11. Excesses and deficiencies will be identified;
12. Reorganizations and corporate actions will be processed;
13. Escheatment of abandoned property will be handled;
14. Tax reporting will take place; and
15. Securities lending will be managed.
16. Provide examples of the blotters and reports to be generated to address the foregoing items (a) through (j) and specify who will provide them (in-house or service bureau) and how often.
17. If the firm plans to use its own in-house computer systems, describe what software is to be used and whether it has been fully adapted and tested (including Year 2000 compatibility) for the anticipated self-clearing processing and reports. In addition, describe the firm’s back-up systems in the event that the firm’s main computer fails.
18. Provide written procedures addressing the firm’s compliance with the possession and control requirements of SEC Rule 15c3-3.
19. State whether the firm will have direct online access to the NASD’s Regulation T and SEC Rule 15c3-3 extension request program.
20. Describe how securities positions and cash balances will be transferred from the firm’s current control location to the firm’s new control location. Please provide a copy of the conversion plan. If applicable, please provide a copy of the executed service bureau agreement.
21. Provide a copy of the reserve account agreement and/or notification from the bank for purposes of SEC Rule 15c3-3.

**Financial and Operations Principal**

The firm will be required to employ a Series 27 qualified Financial and Operations Principal (FINOP) to compute the firm’s net capital and reserve computations. For the Financial and Operations Principal, provide the following:

1. Name;
2. CRD number; and
3. Description of prior work experience including where such experience was obtained (including whether any such employers were also self-clearing broker/dealers), in what capacity the proposed FINOP functioned, the time periods involved and to whom the proposed FINOP reported at such firms.

**Back Office Personnel**

Similar to the description provided for the proposed FINOP, please describe the experience of any other individuals responsible for operating the firm’s back-office as it relates to a self-clearing broker/dealer, including any prior experience at other self-clearing firms.

**Sample Books and Records**

Provide samples of the books and records required to be kept by self-clearing firms, including but not limited to a pro forma stock record, Customer Reserve Formula, trial balance (with supports), and net capital computation as of the first day that self-clearing becomes effective.